

**BEFORE THE
FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON, D.C. 20554**

In the Matter of:)	
)	
Federal-State Joint Board on Universal)	WC Docket No. 05-337
Service and High-Cost Universal)	
Service Reform)	

COMMENTS OF THE IOWA UTILITIES BOARD

On May 1, 2007, the Federal-State Joint Board on Universal Service (Joint Board) released a recommended decision designed to stop the explosive growth occurring in high cost universal service support payments. Specifically, the recommendation was to place an immediate but interim cap on the fund. Concurrently, the Joint Board released a Public Notice seeking comment on a variety of proposals for universal service reform. The five proposals were: 1) the use of reverse auctions to determine high-cost universal service support; 2) the use of GIS technology and network cost modeling to better calculate and target support at more granular levels; 3) disaggregation of support; 4) the methodology for calculating support for competitive eligible telecommunications carriers (CETCs), and 5) whether universal service funding should be used to promote broadband deployment.

The Use of Reverse Auctions

The Joint Board asked for specific comments on reverse auction plans proposed by two parties, Verizon and CTIA, as well as a broadband auction proposal made by Alltel. The Iowa Utilities Board (IUB) has previously stated that it supports the efforts of the Joint Board in continuing to search for solutions to revise high cost universal service funding and that reverse auctions may be one mechanism that should be investigated¹. The IUB further stated that the impact on existing incumbents' networks that were constructed on the reliance of continued receipt of universal service support needed to be determined. The IUB further offers that auctions should be restricted to competitive ETCs, leaving the incumbent ETC in place. This will result in only one competitive ETC receiving support rather than the current situation where there are multiple competitive ETCs, while limiting the impact of the support for existing incumbents' networks. As USF reform continues, the Joint Board must address the policy of supporting multiple providers in areas where it is uneconomical for one provider to provide service absent USF.

The IUB believes that two of the three parties, CTIA and Alltel, proposed that the Joint Board should conduct a trial auction or a "pilot program" where the reverse auction process could be studied in a limited geographic area and with a limited number of participants. This concept of a trial auction appears to be a logical, interim step, given the number of critical issues that need to be addressed in designing a reverse auction process.

¹ Comments filed on October 10, 2006, in Docket No. WC-05-337 regarding the merits of using auctions to determine high cost universal service support.

The Use of GIS Technology and Network Cost Modeling

The IUB agrees that there have been significant advances in geographic information systems and network cost modeling. However, a concern is who would be the responsible party for implementing these new technologies and how would the resulting costs be recovered. In Iowa, where our carriers are receiving support, and already serving 100 percent of their subscribers, these programs appear to be unnecessary, complicated, and expensive. While it might make sense in sparsely populated states, the use of these technologies would have limited use in Iowa.

Disaggregation of Support

The Joint Board is seeking comment on whether the Commission should require all carriers to disaggregate support below the study area, or wire center, level. The Notice stated that an overwhelming majority of rural telephone companies chose not to disaggregate under Path One as adopted in the *Rural Task Force Order*. This was true in Iowa. Approximately 90 percent of Iowa's rural LECs did not file a plan. The IUB supports continued dialogue on disaggregation. It would seem that the public interest would be served if support is provided where it is needed, the rural parts of exchanges. The support for the entire exchange should not be based on this cost. Disaggregation would drive support to the high cost loops, where it is needed. Recognizing that substantial cost may be incurred by carriers, the Joint Board and Commission should consider a safe harbor mechanism for carriers not wishing to incur the cost of disaggregation. For example, the Commission could establish a specific loop

length to be deemed “high cost” and carrier support would be assigned based on the safe harbor, unless or until the carrier provided a disaggregation study. This would further the goal of the Joint Board without unduly burdening the carriers.

Competitive ETC Support

The Joint Board is seeking comment on whether it is appropriate to continue funding multiple carriers in high-cost areas, and if the current identical support rule should remain in place. The IUB believes that the Joint Board and the Commission should reevaluate the policy of multiple competitive ETCs. The IUB questions whether the funding of several competitive ETCs in the same high-cost area for the sake of competition, even if artificial, is indeed in the public interest.

The IUB further states that any support should be technology-neutral. This would result in a carrier not being penalized for converting to new cost-efficient advanced technologies. Further, requiring a competitive ETC to demonstrate its own costs, and basing support on these costs, appears to be in the public interest.

Broadband Deployment

The Joint Board is seeking comment on whether it should consider adding broadband to the list of supported services, and if there are any statutory impediments to doing so. Universal broadband deployment is clearly a goal of Congress as set out in Section 706 of the Act. The key question is whether or not the USF is the correct mechanism by which to achieve that goal. A number of states, including Iowa, have undertaken initiatives to encourage broadband deployment. In the most recent Broadband Assessment, the IUB found that 95

percent of rural communities in Iowa had access to broadband². Given this success, it is unclear that a blanket expansion of USF to support broadband is the best use of USF funds. Any support of broadband deployment with USF should be limited to providing service to areas that currently have no access to broadband. The support must also be provided on a technologically-neutral basis, and based on the costs of the provider.

In addition, the Joint Board asks whether broadband should be a separate category of service, or considered as part of high-cost support. Given the nature of broadband technology and that a number of current high-cost fund recipients currently provide broadband it initially makes sense to have broadband to be an included category of support under the high-cost mechanism. To do otherwise could cause undue burdens on current incumbent LECs who introduce broadband over their existing copper networks, as an example. It would create other questions in terms of distributing costs and funding in a situation where a provider deployed fiber in its network which could be used to provide voice and data – how would it be determined what was for broadband and what was for voice?

The Board also believes other potential sources of funding for broadband deployment should be explored. This could include Rural Utilities Service, federal grants, state appropriations or public-private partnerships.

^{2 2} The 2006 Iowa Utilities Board broadband study, "Assessing High-Speed Internet Access in the State of Iowa" is available at http://www.state.ia.us/government/com/util/docs/reports/InternetAccess_2006Revised.pdf. An update to this study will be commencing later this year to evaluate the continued progress of access in all exchanges as well as to the access throughout each exchange.

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Respectfully submitted,

_____/s/_____
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